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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 273 **January 1983**

A Special Thank You

At the beginning of this new year the Virginia Business Report sends a very special word of appreciation to all its many contributors. There are over two hundred organizations throughout the Commonwealth that send in data each month at their own expense in time and effort. Without their support this Report could not exist. Our readers and we at the College of William and Mary are most grateful.

LELAND E. TRAYWICK, PH.D., *Director*

Summary for 1982

Business in Virginia was on a roller coaster during 1982. It did not start out so well in January (worst winter weather this century), but got better in February and March only to decline in April and May. June, July and August improved, but the rest of the year was downhill from there.

When the twelve months are averaged bank debits (checking account transactions) came in at 18.2 percent over 1981. This was slightly better than the 16.9 percent increase over 1980 but far short of 1980's rise of 29.5 percent. The dollar volume of checks cashed give an idea of the total amount of business that is transacted for any given time. From these figures one could say that Virginia has been in something of a slump for two years. The benchmark for economic good health is to have bank debits be above the 20 percent level of increase and preferably close to 25 percent for the state as a whole. Individual localities can, of course, vary from that norm.

Of all the indicators during the year building permits showed the greatest improvement. They started out in low gear in January and on a cumulative basis remained at a low ebb (all kinds of minus percents of change) until June when they broke into some sunshine. They really blossomed from September on and turned in a most substantial rise of 59.3 percent in December. Since this is clearly a leading economic indicator, it is saying that in 1983 Virginia should see a healthy increase in construction both residential and commercial. These data are based on the dollar value of the permits and not just on the numbers of them.

Another late bloomer in the Commonwealth's economy for 1982 were new car registrations. Until October they were with the exception of June in double digits of decline on a year-ago basis of comparison. Then came the tenth month and the receding was only 2.5 percent. That was not in the black but at least it was far from what it had been. November saw an increase of a beautiful 13.6 percent and December a rise of 18.9 percent. Are they off and running? This is the big question, of course. It is interesting that in the post-World War II recessions autos and housing have led us into and out of these economic slumps. They were downward leaders this time and may be precursors for 1983. The year as a whole, though for new car registrations

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change December, 1982 from December, 1981

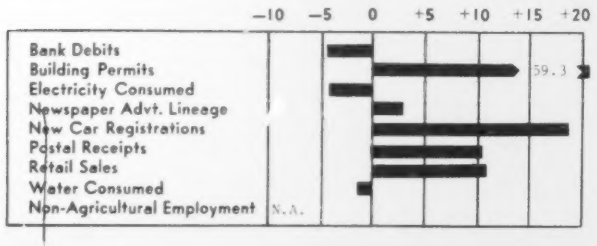
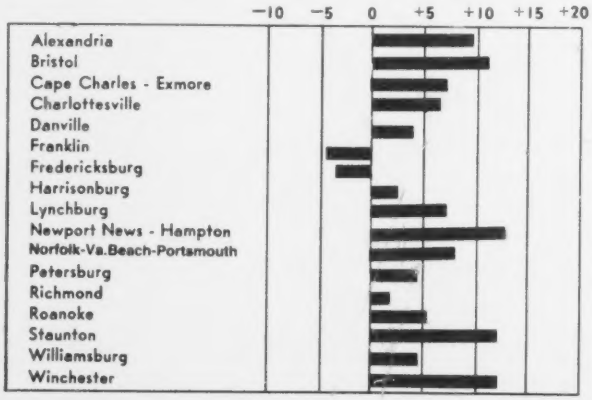


Chart II

City Indices

Percentage Change December, 1982 from December, 1981



was a terrible minus 12.5 percent. They were much worse than 1981 and on a par with the year of 1980.

Retail sales crawled through the year and came in at a 4.6 percent increase over 1981. The first six months of 1982 they advanced only at a rise of 3.8 percent, but to increase in July (up 7.5 percent) and fall in August and September (1.1 and 2.0 percents) and from there on rise very nicely to a December increase of 10.9 percent. With the December rate of inflation standing at a minus 3.6 percent in the Consumer Price Index it meant a very strong increase in "real sales." Because of the earlier months that were slow, the twelve months of 1982 in comparison with those of 1981 showed a rise of 4.6 percent. The annual increase in the CPI was 3.9 percent, which was the best since 1972. National retail sales in 1982 showed only a 3.0 percent rise.

This is typical of the Commonwealth. Virginia does not suffer in these recessions the way the average state in the union does. It is true not only in just such a category as retail sales but also in the bad figures such as unemployment. While the nation hovers near 11.0 percent, the latest figure for the Old Dominion shows only 8.1 percent. In general this has been the story in all of these post-World War II recessions. Virginia is about two to three percentage points below the national averages most of the time. This is primarily because of the heavy proportion of service businesses in the Commonwealth, which are affected much less than the heavy durable goods industries or even the nondurable goods businesses. It is thus a matter of the structure (i.e., the very nature) of the Virginia economy.

Data for December, 1982, for nonagricultural

SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE I December, 1982

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		245.4	137.5	116.0	113.7	51.1	N.A.	84.8	248.2	197.5
Alexandria	236.7	467.8	311.2	125.1	N.A.	62.2	N.A.	87.0	305.0	N.A.
Bristol	143.7	265.0	19.0	98.9	89.0	38.6	N.A.	68.6	166.0	234.8
Cape Charles - Exmore	127.4	148.8	120.7	103.3	N.A.	54.8	N.A.	N.A.	125.5	208.2
Charlottesville	195.4	247.6	784.5	115.9	N.A.	47.0	N.A.	94.4	281.2	214.9
Danville	141.7	N.A.	375.5	99.0	107.2	48.6	N.A.	73.2	199.0	208.8
Franklin	138.5	N.A.	12.3	111.4	129.2	47.5	N.A.	98.0	169.3	213.6
Fredericksburg	190.3	156.2	30.7	N.A.	143.2	67.7	N.A.	57.8	284.4	244.4
Harrisonburg	164.3	167.7	40.3	N.A.	145.5	44.1	N.A.	121.7	200.6	233.7
Lynchburg	195.6	421.8	87.4	110.4	N.A.	42.1	N.A.	117.8	184.4	319.3
Newport News - Hampton	161.9	206.7	95.5	103.4	103.9	42.0	N.A.	100.8	246.0	N.A.
Norfolk - Va. Beach - Portsmouth	143.5	107.4	139.5	125.9	113.6	52.7	N.A.	71.4	225.6	N.A.
Petersburg	162.0	126.7	35.3	N.A.	84.0	21.4	N.A.	90.3	259.2	195.8
Richmond	177.8	271.8	N.A.	117.9	103.6	43.2	N.A.	87.3	268.7	170.2
Roanoke	157.0	206.8	87.7	93.3	127.3	31.0	N.A.	94.9	219.3	201.9
Staunton	164.6	121.3	27.2	N.A.	N.A.	40.1	N.A.	N.A.	192.8	248.0
Williamsburg	153.5	165.5	100.8	136.3	N.A.	61.0	N.A.	70.1	178.8	258.8
Winchester	174.9	337.0	10.7	110.2	176.5	52.7	N.A.	112.3	192.2	208.6

TABLE II December, 1982

Percentage Change from same month last year.

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Nov. RETAIL SALES ‡
The State		-4.8	59.3	-4.6	2.6	18.9	N.A.	-1.6	10.9	9.6
Alexandria	9.8	-4.7	435.0	-3.9	N.A.	24.4	N.A.	9.6	14.5	9.4
Bristol	11.2	40.7	-28.5	-8.9	10.0	14.1	N.A.	0.4	11.2	-4.6
Cape Charles - Exmore	7.3	1.3	4.5	-13.0	N.A.	38.8	N.A.	N.A.	5.6	8.8
Charlottesville	6.3	20.0	527.8	-0.7	N.A.	19.2	N.A.	-7.3	4.3	6.8
Danville	3.9	N.A.	1162.5	-1.2	14.3	36.3	N.A.	-14.0	-2.6	7.7
Franklin	-4.9	N.A.	262.4	-11.7	-4.1	-12.1	N.A.	-8.1	0.5	1.8
Fredericksburg	-3.4	15.3	-21.6	N.A.	-2.7	12.6	N.A.	-33.8	-5.0	4.9
Harrisonburg	2.5	-4.0	-23.2	N.A.	2.8	-11.8	N.A.	10.9	6.5	-1.4
Lynchburg	7.1	15.7	248.7	-6.0	N.A.	7.2	N.A.	4.0	9.7	8.5
Newport News - Hampton	12.9	61.3	5.4	-5.0	-3.3	22.8	N.A.	-2.2	9.9	7.4
Norfolk - Va. Beach - Portsmouth	7.6	19.4	82.0	-7.1	7.1	14.1	N.A.	0.8	8.8	13.0
Petersburg	4.5	25.4	41.0	N.A.	-5.1	-16.4	N.A.	-4.9	10.8	5.7
Richmond	1.7	-12.9	-74.6	-3.1	-4.5	14.6	N.A.	-6.9	8.8	8.8
Roanoke	5.1	-3.2	233.1	-4.0	2.5	13.6	N.A.	23.3	2.9	17.4
Staunton	12.1	29.5	-85.6	N.A.	2.7	21.4	N.A.	N.A.	6.3	8.8
Williamsburg	4.8	11.3	28.9	-3.1	N.A.	33.3	N.A.	-11.3	1.2	0.7
Winchester	11.9	20.9	10.7	-1.9	17.4	53.4	N.A.	3.8	0.6	12.7

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.

N.A. — Not Available
O.O. — No Change

employment are not available and hence we have only eleven months to look at. (Virginia Department of Labor and Industry has computer outage problems.) For the eleven months the increase over the same period in 1981 was only 0.1 percent. This is the jobs market and it is saying that although it was up nicely in February (0.9 percent) it waned for much of the year, even turned in some negative numbers, but most recently has shown a mild increase.

Other annual indicators such as electricity rose only 1.3 percent, newspaper advertising linage fell 1.8 percent, water consumption rose 2.0 percent and postal receipts were up 18.0 percent when compared with 1981. All in all a slow year but not nearly as bad as the northern industrial states and with some pickups in building permits, new car registrations, and retail sales toward the end of the year.

For 1983? The consensus of the Blue Chip forecasters is that we reached the bottom in December (Virginia bank debits show that) and we are on our way to a slow recovery.

LET

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Bureau of Business Research
Leland E. Traywick, *Director*

SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE III — Percentage Change January - December from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan.-Nov. RETAIL SALES
The State		18.2	9.6	1.3	-1.8	-12.5	N.A.	2.0	4.6	1.2
Alexandria	7.7	38.8	-36.2	3.7	N.A.	-11.3	N.A.	4.6	6.0	6.6
Bristol	0.5	13.0	12.4	-2.9	1.0	-21.5	N.A.	-9.9	8.1	4.5
Cape Charles - Exmore	0.2	5.8	-54.0	0.9	N.A.	-9.8	N.A.	N.A.	1.5	-4.2
Charlottesville	5.4	13.0	79.7	3.4	N.A.	-6.4	N.A.	5.0	7.6	6.8
Danville	1.0	N.A.	25.3	-5.5	-1.8	-23.7	N.A.	-8.8	15.7	1.5
Franklin	-0.7	N.A.	-59.4	-0.8	-2.3	-7.5	N.A.	9.5	-1.2	-1.5
Fredericksburg	-1.8	16.6	-58.3	N.A.	-7.8	-8.6	N.A.	-20.2	2.4	2.4
Harrisonburg	-2.0	1.9	-56.3	N.A.	-0.2	-22.7	N.A.	2.7	1.5	5.1
Lynchburg	-0.6	18.5	-20.3	-1.4	N.A.	-19.1	N.A.	-9.9	2.5	-1.7
Newport News - Hampton	6.4	42.2	15.9	0.8	-3.1	-14.9	N.A.	1.6	8.2	6.9
Norfolk - Va. Beach - Portsmouth	5.7	26.3	39.6	1.6	-2.1	-12.5	N.A.	16.1	5.3	5.3
Petersburg	-2.5	-0.4	-59.1	N.A.	-8.1	-15.0	N.A.	-4.8	3.7	3.3
Richmond	1.2	14.4	-40.7	1.5	-5.3	-11.0	N.A.	-3.3	4.5	3.9
Roanoke	0.8	12.2	10.8	-2.6	2.2	-16.3	N.A.	4.5	2.0	4.8
Staunton	-1.5	-4.8	-3.1	N.A.	-0.7	-17.4	N.A.	N.A.	4.6	3.0
Williamsburg	-1.3	11.7	42.0	2.7	N.A.	-2.9	N.A.	-8.8	-4.0	-0.8
Winchester	5.2	48.1	-39.3	0.5	9.9	-13.4	N.A.	-2.3	-0.3	0.2

TABLE IV — INDEX NUMBER COMPARISON OF THE YEAR 1982 TO BASE PERIOD (1977) - BASE PERIOD YEAR = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		255.1	100.6	114.2	102.7	73.7	N.A.	90.7	146.5	181.3
Alexandria	185.6	572.0	153.1	122.4	N.A.	84.9	N.A.	91.2	142.9	N.A.
Bristol	125.7	195.6	64.2	95.2	87.5	57.0	N.A.	65.7	144.8	195.8
Cape Charles - Exmore	117.9	140.2	140.0	109.1	N.A.	56.3	N.A.	N.A.	121.6	155.1
Charlottesville	158.6	213.7	245.8	110.8	N.A.	84.9	N.A.	108.8	190.8	177.9
Danville	119.5	N.A.	148.9	101.6	88.6	56.3	N.A.	86.0	154.7	159.5
Franklin	113.9	N.A.	45.2	104.0	108.2	74.6	N.A.	110.3	119.8	154.4
Fredericksburg	137.6	138.0	91.0	N.A.	116.1	92.0	N.A.	77.8	163.7	185.6
Harrisonburg	138.2	158.2	76.2	N.A.	126.6	65.5	N.A.	113.3	147.4	199.7
Lynchburg	180.4	362.7	110.7	107.7	N.A.	62.1	N.A.	109.6	151.8	345.3
Newport News - Hampton	142.6	167.3	168.6	103.1	93.9	64.2	N.A.	107.8	201.4	N.A.
Norfolk - Va. Beach - Portsmouth	158.2	161.1	132.6	125.7	100.5	71.3	N.A.	73.7	244.4	N.A.
Petersburg	104.9	102.9	43.9	N.A.	72.5	48.2	N.A.	97.4	125.2	142.9
Richmond	129.7	277.2	25.9	114.9	96.4	71.3	N.A.	97.6	116.5	160.2
Roanoke	128.2	200.8	57.6	90.1	113.7	53.7	N.A.	99.7	138.3	180.7
Staunton	181.0	94.8	118.2	N.A.	N.A.	62.2	N.A.	N.A.	246.3	189.9
Williamsburg	132.5	164.3	86.9	140.9	N.A.	79.3	N.A.	89.6	129.6	197.3
Winchester	135.6	258.1	72.3	107.6	127.0	77.9	N.A.	106.3	123.1	174.3

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.

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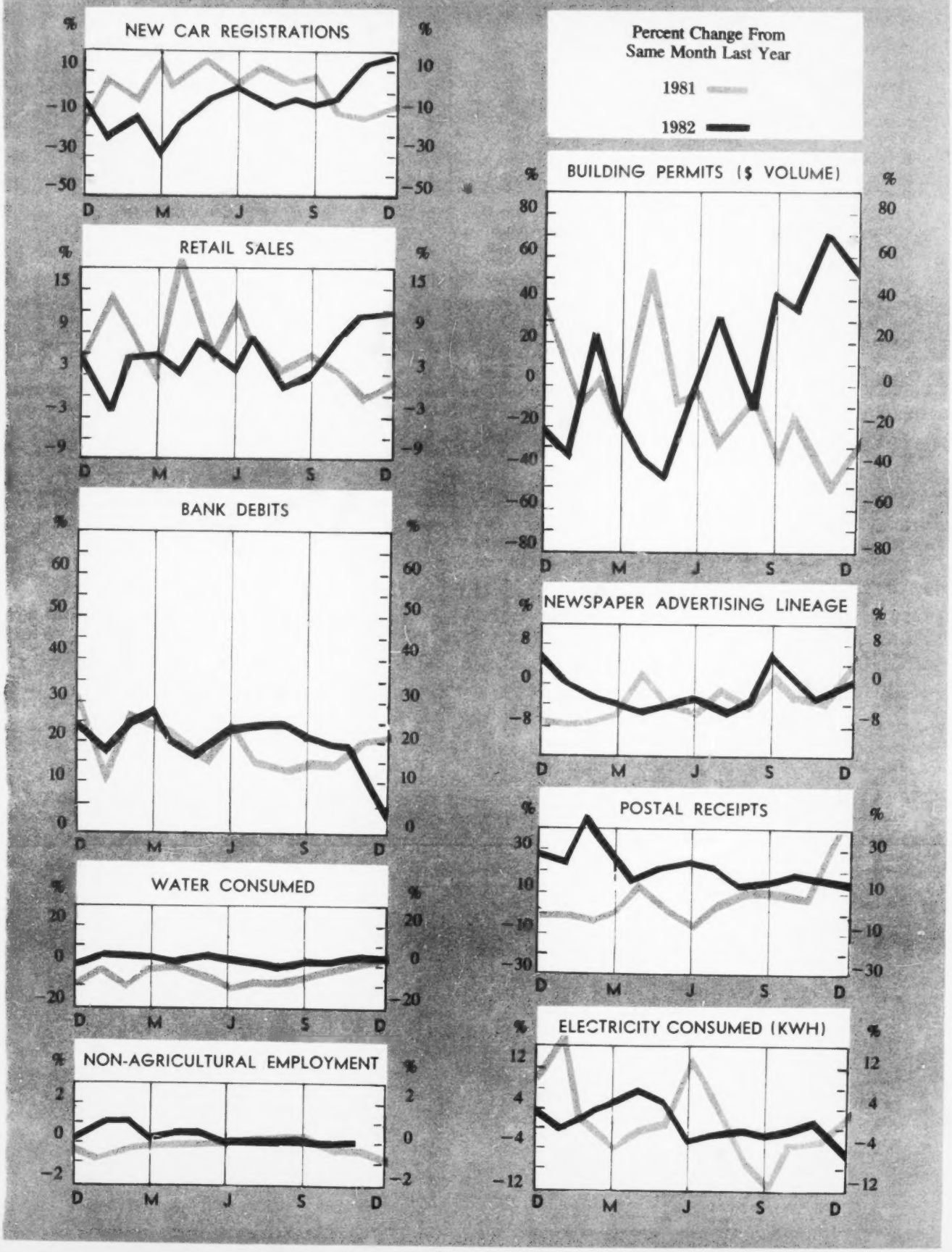

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 274 **February, 1983**

Business in Virginia January, 1983, Data

In January business in Virginia picked up in a number of areas, but in total dollar volume of business transacted did not do well.

The latter is measured by checking account transactions which are technically known as bank debits to demand deposits. This means the total dollar volume of checks cashed. When they were compared this January to that of a year ago the increase was only 11.6 percent for the state.

Certain cities, however, did very well. These were Bristol, Fredericksburg, Harrisonburg, Lynchburg, Newport News-Hampton, Norfolk-Virginia Beach-Portsmouth, Petersburg, Staunton, and Winchester. If so many did so well (increases of 30 and 40 percents), why was the state so meager? The answer lies mostly in Richmond. Their bank debits were up only 5.3 percent and since they have such a huge volume of checks cashed, the whole state was pulled down.

On the brighter side, though, were the dollar value of building permits. This indicator for January was up 82.1 percent when compared with the same month a year earlier. Since September this barometer has been on a constant increase. It speaks well for the construction industry as we look at the months ahead in 1983. This includes both residential and commercial construction permits.

New car registrations came out of the doldrums last November, had a good December, and now in January were up 19.1 percent above the same month a year ago. Like building permits, this is a good omen. If houses and cars pick up, the indication is that we are on our way out of the recession.

Was Virginia still in a slump in January? It looks that way from looking at bank debits. Not so much, though when considering construction plans and auto sales. Chances are that the national economy turned up in December. This seems to be a consensus among the economic forecasters. If they are right, then Virginia should be following suit within two or three months thereafter. If this holds true this time around as it has in the past, then the Old Dominion should see a lot of spring and robins by March or April.

Some of the upturn may have already arrived. Not only construction and autos but also retail sales jumped to a beautiful increase of 21.1 percent. They had been on the rise since October and this speaks well for rebuilding inventories and getting production under way and on the rise.

Electricity consumed was off 14.2 percent in January over that of a year earlier, but there is much seasonality in this January as there is most of the time. Hence, nothing to worry about.

Water consumption down 9.4 percent — good conservation. Postal receipts up 8.3 percent and newspaper advertising linage rose by 5.2 percent, which is an improvement, since it fell nearly every month last year. Nonagricultural employment not available yet.

[Note: Beginning with this issue, Table I is made consistent with Table II so that trends may be plotted from 1980 to date all on the base year of 1977.]

(Continued on the back page)

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change January, 1983 from January, 1982

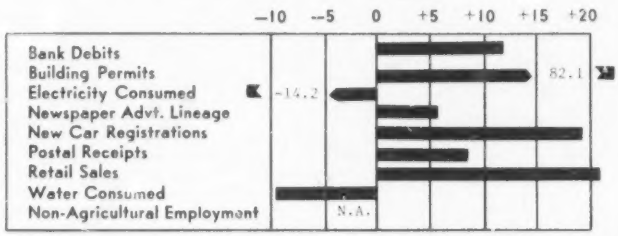
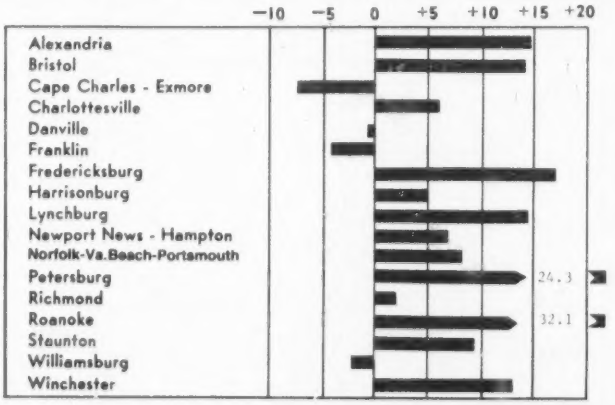


Chart II

City Indices

Percentage Change January, 1983 from January, 1982



A Jobs Bill

At his press conference on February 16th President Reagan pushed for action on his jobs bill. This aligned with his State of the Union address on January 25th when he said, "We who are in Government must take the lead in restoring the economy." [This evoked a standing ovation, but it was not spontaneous. The Democrats had previewed a copy of the speech and agreed to rise at that point.]

None of this however, sounded like the Reagan of the 1980 or earlier campaigns. It was more like New Deal thinking and the Employment Act of 1946, which states, "It is the continuing policy and responsibility of the federal government. . .to promote maximum employment." Why the change? Is it any good?

Certainly, it appears to be a change in the very fundamentals of Reaganomics. Originally, the private, not the public, sector was to provide jobs. There was too much government anyway. What may have forced this reversal, however, was the intensity of the recession in 1981 and 1982. Never since World War II had there been so many business failures, so much idle industrial capacity, or unemployment. Certainly, in the great depression unemployment had reached almost 25 percent of the work force. Recently, the worst is 10.8 percent. But the interesting part is that in 1983 about 12 million are unemployed and in 1933 it was a little more than 12 million. Indeed, percentages are different but we are back to bread lines, soup kitchens, with 2 million unhappy wanderers, nonvoting nomads, desparately looking for work, shunting all over the country at the least rumor of a job, living in vans or cars or sleeping under bridges. It is no wonder that interest in John Steinbeck's *Grapes of Wrath* revived. We have been reliving the past.

The importance of employment was underscored in the 1982 elections and the message became even louder and clearer, as unemployment increased through December with bad prospects for 1983. The White House saw the light and changed course.

A jobs bill was attempted in the Lame Duck session of the last Congress but got nowhere. Undaunted, though, some Democrats have talked about a new jobs bill of $5 to $7 billion, much to the dismay of the AFL-CIO which wants one for $68.5 billion. The Administration is pushing for a $4.3 billion package. This involves accelerated federal spending on construction and repair projects. All of this is supposed to create a scant 470,000 jobs, which seems pathetic in the light of nearly 12 million now unemployed. But this is not all. A good part of the package is to go for supplementary unemployment insurance and $300 million in relief for jobless citizens in dire need.

Details, though, are very interesting. As *Business Week* (2/7/83) brought out, "The most innovative part of the package—and one likely to face considerable skepticism on Capitol Hill—is Reagan's plan to provide direct subsidies to companies that hire workers who have exhausted both their regular and extended unemployment benefits.

"Tentative plans call for employers to receive the subsidy in the form of tax credits worth roughly $60 per week for each worker hired, with a maximum of 32 weeks. The existing federal supplemental compensation program pays an average of $118 per week to a jobless worker but runs for only 16 weeks. For the new subsidy program to work, however, the Administration also wants a six-month extension of the FSC, which expires at the end of March, 1983." Hence, a push for action now.

What organized labor is worried about is that employers will lay off existing workers and hire the subsidized unemployed. The Administration admits that this could happen, but does not believe it will or that a massive regulatory program is needed. Congress has much to debate in this package.

A major concern is whether it will work. Not long ago the Chase Manhattan Bank wrote in its letter, "Business in Brief," about lags in the policy cycle. It pointed out a succession of them. **One: the data lag.** Anyone who has used federal statistics with all of the revisions understands this lag of weeks or months. **Two: a lag in recognition** by policymakers that a recession or an upturn has actually taken place. The data often give out conflicting signals. **Three: a lag in policy formulation.** What should or should not be done can be an extended affair in Congress or even an administration. **Four: a policy implementation lag.** This means getting a bill through Congress, through conference, on to the President's desk and signed into law. **Five: the impact lag.** Once implemented the action has to work its way through the economy. "Recent economic studies indicate that it takes two or three calendar quarters on average for fiscal or monetary stimulus to have an impact."

Taken altogether the delays add up to one to two years and most recessions last about 11 months. Currently we are at the end of probably the worst recession since World War II and at this late date the Administration is calling for a Band-Aid jobs bill!

Furthermore, these actions did not even work during the New Deal heyday. There was the National Recovery Administration, Federal Emergency Relief Administration, Civil Works Administration, a Works Progress Administration, Agricultural Adjustment Administration, a Transient Camps program, Civilian Conservation Corps, National Youth Administration, etc. At various times there were from 20 to 25 million persons who received federal, state, or local relief. As Frederick Lewis Allen puts it, "The CWA at its peak employed *over four million workers*—enough to man some twenty General Motors Corporations." Yet, unemployment persisted in double digits from 1931 through 1940 when it was 14.6 percent.

In his book, *Since Yesterday*, Allen concluded: "Here was the essential dilemma of the New Deal. Just as it wanted, reasonably enough, to apply the lessons of the 1929-33 debacle and reform the financial system, but apparently could not do this without inflicting endless rules and regulations, endless tasks of reporting and thus delaying recovery; so also it apparently could not deal humanely with the unemployed without imposing heavy taxes, incurring heavy deficits, raising very natural qualms and thus once again delaying recovery. It had to march toward its goal under a veritable Christian's pack—the burden of the very inadequacies which it was trying to resolve."

Thus, the jobs bill did not work in the thirties. But is

there any recent experience? Read the 1979 OMB Report on the trio of jobs bills in the wake of the 1973-75 recession. The total was $9¼ billion including $6 billion for training (CETA). Not until 1978 did outlays reach their peak—three years after recovery. OMB found "that fewer than one in three hired for local public-works programs came from the ranks of the unemployed and that wages paid these workers amounted to less than 7% of program costs. Jobs for unskilled workers lasted, on average, less than four weeks. Only half of the CETA enrollees graduated to a new job, added training, or went into the armed forces.

The current jobs bill is likewise not good. By the time it is enacted into law and implemented, its impact will only serve to add to inflation.

A jobs bill, Mr. President, will only falter and lead to trouble. It should be withdrawn. LET

Prepared by the Bureau of Business Research
THE COLLEGE OF WILLIAM AND MARY
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SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE I January, 1983

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		256.2	85.0	121.8	86.5	92.1	N.A.	86.1	138.0	229.6
Alexandria	157.1	440.7	186.6	132.9	N.A.	101.3	N.A.	88.2	112.3	N.A.
Bristol	120.3	292.1	19.9	114.3	92.1	26.7	N.A.	57.6	99.3	202.0
Cape Charles - Exmore	123.8	150.2	316.0	115.5	N.A.	58.3	N.A.	N.A.	133.9	140.6
Charlottesville	183.3	493.8	123.4	109.8	N.A.	79.5	N.A.	99.4	171.2	169.9
Danville	91.3	N.A.	263.0	102.5	87.7	110.5	N.A.	84.5	60.3	163.9
Franklin	102.6	N.A.	44.3	126.2	88.8	67.3	N.A.	93.9	88.2	179.9
Fredericksburg	139.7	169.1	173.0	N.A.	101.6	98.1	N.A.	86.2	152.8	204.1
Harrisonburg	145.7	197.2	87.6	N.A.	98.8	79.4	N.A.	78.1	166.6	218.4
Lynchburg	200.3	532.2	82.0	118.0	N.A.	24.7	N.A.	92.4	131.1	442.1
Newport News - Hampton	108.8	209.2	79.7	103.9	74.5	68.6	N.A.	102.4	106.0	N.A.
Norfolk - Va. Beach - Portsmouth	140.0	226.8	73.8	135.8	87.3	99.8	N.A.	44.4	178.2	N.A.
Petersburg	123.3	245.2	3.1	N.A.	67.7	81.4	N.A.	103.9	110.1	158.1
Richmond	125.2	244.0	N.A.	119.2	83.9	93.3	N.A.	79.6	114.8	162.8
Roanoke	148.6	171.9	98.2	107.3	96.5	73.8	N.A.	96.8	197.3	199.5
Staunton	105.2	115.0	108.7	N.A.	73.7	86.4	N.A.	N.A.	95.5	174.8
Williamsburg	132.4	426.3	151.4	135.8	N.A.	101.6	N.A.	63.4	83.0	83.2
Winchester	116.3	132.8	27.1	108.1	126.6	102.6	N.A.	109.9	95.7	180.0

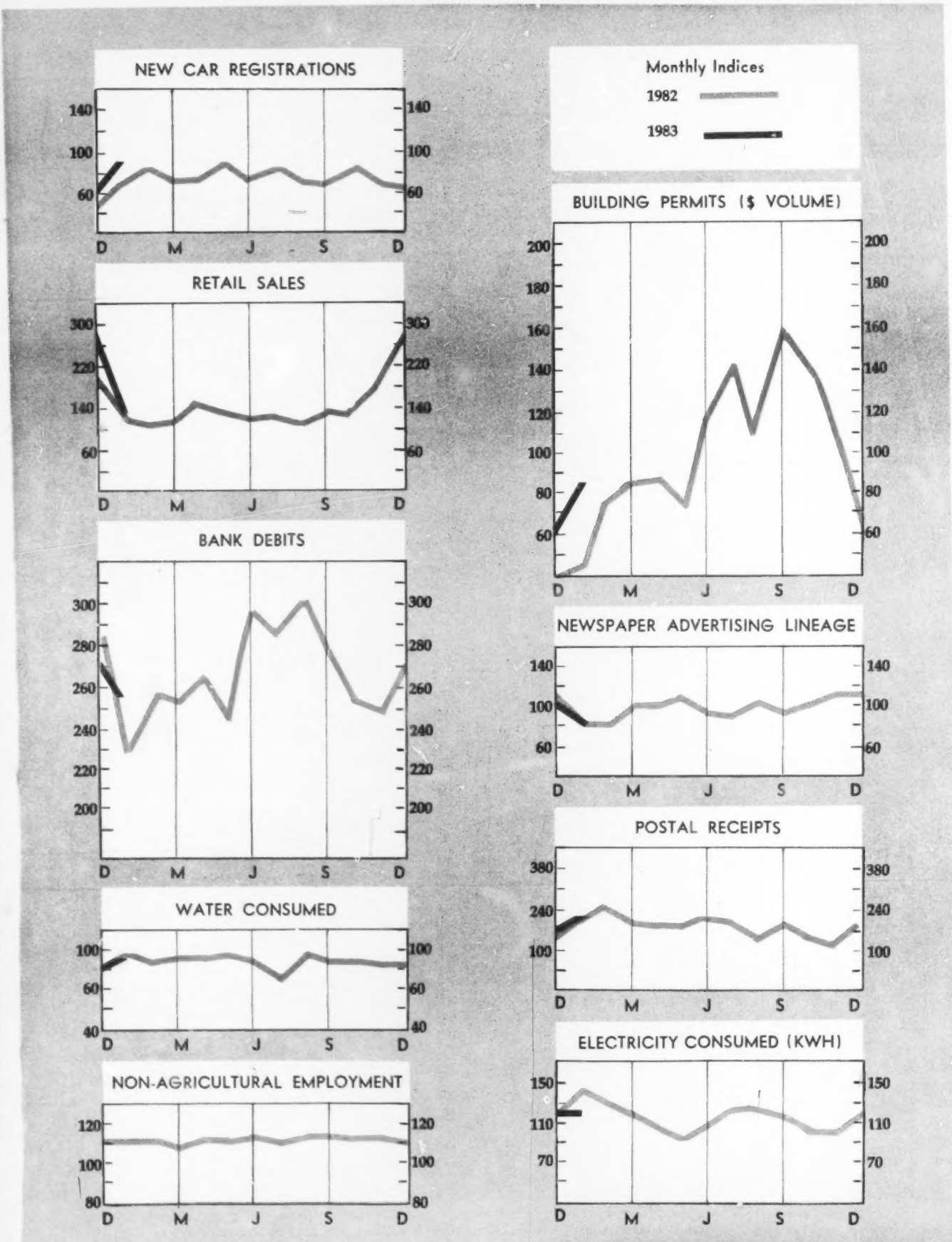
TABLE II January, 1983

Percentage Change from same month last year.

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Dec. RETAIL SALES ‡
The State		11.6	82.1	-14.2	5.2	19.1	N.A.	-9.4	21.1	13.7
Alexandria	14.7	-9.8	206.4	-15.9	N.A.	45.2	N.A.	11.4	24.1	16.5
Bristol	14.2	44.1	-70.5	-17.2	7.9	46.5	N.A.	-7.1	13.0	-1.8
Cape Charles - Exmore	-7.1	9.3	1046.1	-6.4	N.A.	7.4	N.A.	N.A.	-17.6	6.6
Charlottesville	5.9	19.3	75.8	-17.1	N.A.	26.0	N.A.	-1.6	6.9	16.7
Danville	-1.0	N.A.	1228.1	-1.2	3.2	22.6	N.A.	-8.8	-7.6	5.1
Franklin	-4.0	N.A.	843.1	-4.2	1.9	-31.3	N.A.	0.2	1.8	29.3
Fredericksburg	17.4	46.4	414.9	N.A.	6.4	10.1	N.A.	-36.0	31.6	25.4
Harrisonburg	5.0	42.6	313.2	N.A.	10.8	14.6	N.A.	-14.5	-6.1	25.0
Lynchburg	14.3	60.3	25.9	-8.1	N.A.	38.7	N.A.	-9.9	6.4	3.3
Newport News - Hampton	6.5	40.4	167.5	-19.7	-5.0	-4.3	N.A.	-14.2	16.8	12.3
Norfolk - Va. Beach - Portsmouth	8.0	36.9	54.0	-15.3	7.8	-1.5	N.A.	-8.4	14.9	18.9
Petersburg	24.3	78.7	-89.9	N.A.	-0.8	62.8	N.A.	-8.4	12.6	13.6
Richmond	2.2	5.3	19.9	-16.5	-3.1	14.0	N.A.	-14.8	10.8	12.1
Roanoke	32.1	16.4	679.3	-5.0	7.9	1.7	N.A.	0.6	78.4	7.6
Staunton	9.7	32.2	263.6	N.A.	9.5	6.2	N.A.	N.A.	3.4	15.5
Williamsburg	-2.2	-16.1	124.0	-14.4	N.A.	14.5	N.A.	-16.5	5.6	16.8
Winchester	12.8	31.0	80.3	-7.4	58.1	9.4	N.A.	4.0	2.5	32.8

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.

N.A. — Not Available
0.0. — No Change



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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 275 **March, 1983**

Business in Virginia February 1983, Data

There are good months and bad months for an economy. February for Virginia's business was one of the bad ones. After some good signs in December and January, most of the economic indicators fell off. Bank debits to checking accounts (which are more generally known as checking account transactions) rose only 1.5 percent in February over a year earlier. This is one of the lowest increases in the past five years. It is a measure of the total dollar volume of business and thus is saying that the economy was off in February. To be in good shape this indicator should rise about 20 percent.

Several of the metropolitan areas, however, were in good shape in February: Fredericksburg, Harrisonburg, Lynchburg, Norfolk-Virginia Beach-Portsmouth, Petersburg, and Winchester. Richmond was a negative 2.3 percent and because of the tremendous dollar volume of its bank debits, it tended to pull the whole state average down.

Building permits, too, were not robust. They did rise 16.2 percent in February on a year-ago basis. This was a lot better than some months of last year, but not nearly the kinds of increases in the past five months. A little slowness, perhaps some tapering off. But this is a leading economic indicator and is telling about six months or so in the future.

New car registrations after healthy increase in November, December and January turned sour and fell 1.1 percent this February over last. Not that it was so great, but the direction is wrong. Sales also did not do well nationally but the auto producers seem undaunted and have increased production in March, as they are counting on a come back in sales. Both housing and cars are important to any economic upturn.

Also important are retail sales. Over the past several months they did extraordinarily well. In January they rose 21.1 percent which was a record since April of 1980. In February this time compared with the same month a year earlier they rose only 5.3 percent. This is hovering right at the rate of inflation, which is saying that sales did not even hold their own. Unless the consumer gets into the economic act and stays there, the recovery will go nowhere. Good sales lead to rebuilding inventories, which brings about increases in production, which triggers raw materials developments. All along the chain of reaction are jobs and hence more income and more purchasing. It is an upward spiral that the consumer can bring about. Even as consumers can generate a downward thrust too into a recession.

Accompanying the poor showing in retail sales was a similar behavior for newspaper advertising linage. It rose only 2.7 percent when this February is compared with that of the same month in 1982. Last month the burst in retail sales in part was due to linage being up. The old story that it pays to advertise was never more true.

Electricity consumed was down 1.7 percent in February, which is unusual. The expectation is that January will have something of a season slump, but generally February sees something of a pickup.

Postal receipts slumped by 2.4 percent in February. This is unusual, as they have been steadily increasing over the past eighteen months. Water consumption was off 4.0 percent, but this was good, as it shows conservation.

(Continued on back page)

Chart I

Nine Selected Business & Economic Indicators Percentage Change

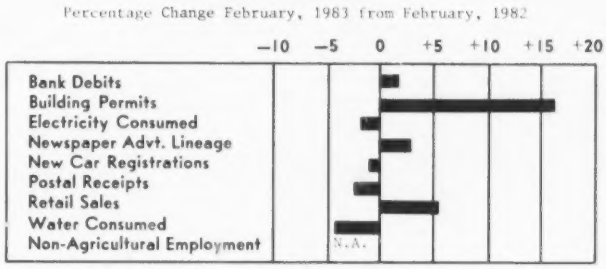
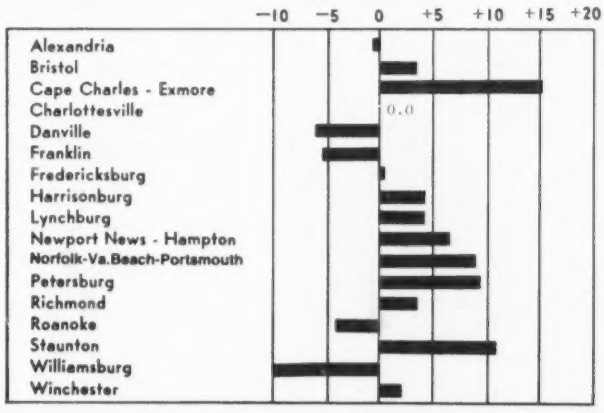


Chart II

City Indices



SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE I — Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) = Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		261.0	88.5	127.9	84.6	81.8	N.A.	78.1	111.6	237.9
Alexandria	142.6	371.4	127.9	138.9	N.A.	90.6	N.A.	73.4	107.9	N.A.
Bristol	108.5	206.2	N.A.	121.2	94.2	26.1	N.A.	61.5	95.6	180.5
Cape Charles - Exmore	116.4	136.3	287.2	117.0	N.A.	57.6	N.A.	N.A.	123.1	134.8
Charlottesville	165.3	356.7	118.5	123.2	N.A.	90.3	N.A.	91.0	157.9	187.2
Danville	94.3	N.A.	47.6	95.5	74.3	61.9	N.A.	73.5	95.7	162.3
Franklin	97.1	N.A.	23.2	112.1	87.3	70.9	N.A.	63.2	93.5	162.5
Fredericksburg	114.8	146.3	133.4	N.A.	104.3	105.3	N.A.	48.6	110.9	181.2
Harrisonburg	119.4	159.4	35.1	N.A.	80.3	83.0	N.A.	112.3	118.5	164.8
Lynchburg	186.2	441.8	54.9	119.5	N.A.	72.0	N.A.	91.3	105.0	449.9
Newport News - Hampton	117.3	210.1	118.0	116.0	72.5	80.7	N.A.	92.5	122.3	N.A.
Norfolk - Va. Beach - Portsmouth	130.9	252.7	157.4	145.3	88.1	82.9	N.A.	66.7	137.1	N.A.
Petersburg	112.1	237.4	31.9	N.A.	64.6	57.5	N.A.	87.4	103.9	138.4
Richmond	118.9	268.9	N.A.	126.7	82.6	75.7	N.A.	75.7	92.3	163.7
Roanoke	115.3	181.6	11.4	97.2	93.1	54.9	N.A.	88.9	114.7	177.5
Staunton	103.7	92.6	12.7	N.A.	88.3	81.5	N.A.	N.A.	98.9	166.9
Williamsburg	105.3	100.8	38.6	147.2	N.A.	105.6	N.A.	58.7	82.6	182.1
Winchester	126.6	236.7	26.7	117.2	119.5	90.1	N.A.	102.7	94.1	190.5

TABLE II — February, 1983 — Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan. RETAIL SALES ‡
The State		1.5	16.2	-1.7	2.7	-1.1	N.A.	-4.0	5.3	3.8
Alexandria	-0.2	-18.4	-89.3	-3.2	N.A.	-3.9	N.A.	7.0	5.8	5.6
Bristol	3.0	12.9	N.A.	-8.3	-0.1	10.9	N.A.	-8.0	5.6	-5.2
Cape Charles - Exmore	15.1	-1.2	480.2	-3.9	N.A.	33.3	N.A.	N.A.	20.7	-5.0
Charlottesville	0.0	0.3	269.3	-1.8	N.A.	-12.9	N.A.	1.4	4.3	7.3
Danville	-6.1	N.A.	-50.0	1.1	9.0	-6.1	N.A.	-9.6	-12.4	-6.1
Franklin	-5.1	N.A.	354.8	5.9	-0.2	-14.6	N.A.	-27.9	0.4	-17.8
Fredericksburg	0.2	31.9	183.2	N.A.	0.5	-4.9	N.A.	-37.9	4.0	17.4
Harrisonburg	4.1	25.6	44.6	N.A.	-1.2	3.4	N.A.	-6.1	2.3	28.1
Lynchburg	4.2	40.2	-36.6	-5.2	N.A.	-9.3	N.A.	-4.4	2.6	-10.8
Newport News - Hampton	6.2	14.7	35.0	0.4	-4.7	10.6	N.A.	-2.8	10.4	0.7
Norfolk - Va. Beach - Portsmouth	9.0	30.0	64.0	1.2	6.8	-2.5	N.A.	1.3	11.7	3.4
Petersburg	9.3	49.6	-4.6	N.A.	8.4	-5.9	N.A.	-7.3	6.8	-4.3
Richmond	3.6	-2.3	0.5	-0.5	-2.9	10.6	N.A.	-10.2	11.3	9.7
Roanoke	-4.0	-10.3	-81.0	-1.7	1.6	-20.7	N.A.	3.2	-1.3	-5.2
Staunton	11.0	55.6	49.8	N.A.	4.2	7.2	N.A.	N.A.	-0.3	-3.8
Williamsburg	-10.0	-56.2	-48.6	-5.3	N.A.	17.5	N.A.	-20.9	-1.8	-3.8
Winchester	2.0	19.0	394.3	-7.8	27.7	5.9	N.A.	0.6	-9.7	-1.1

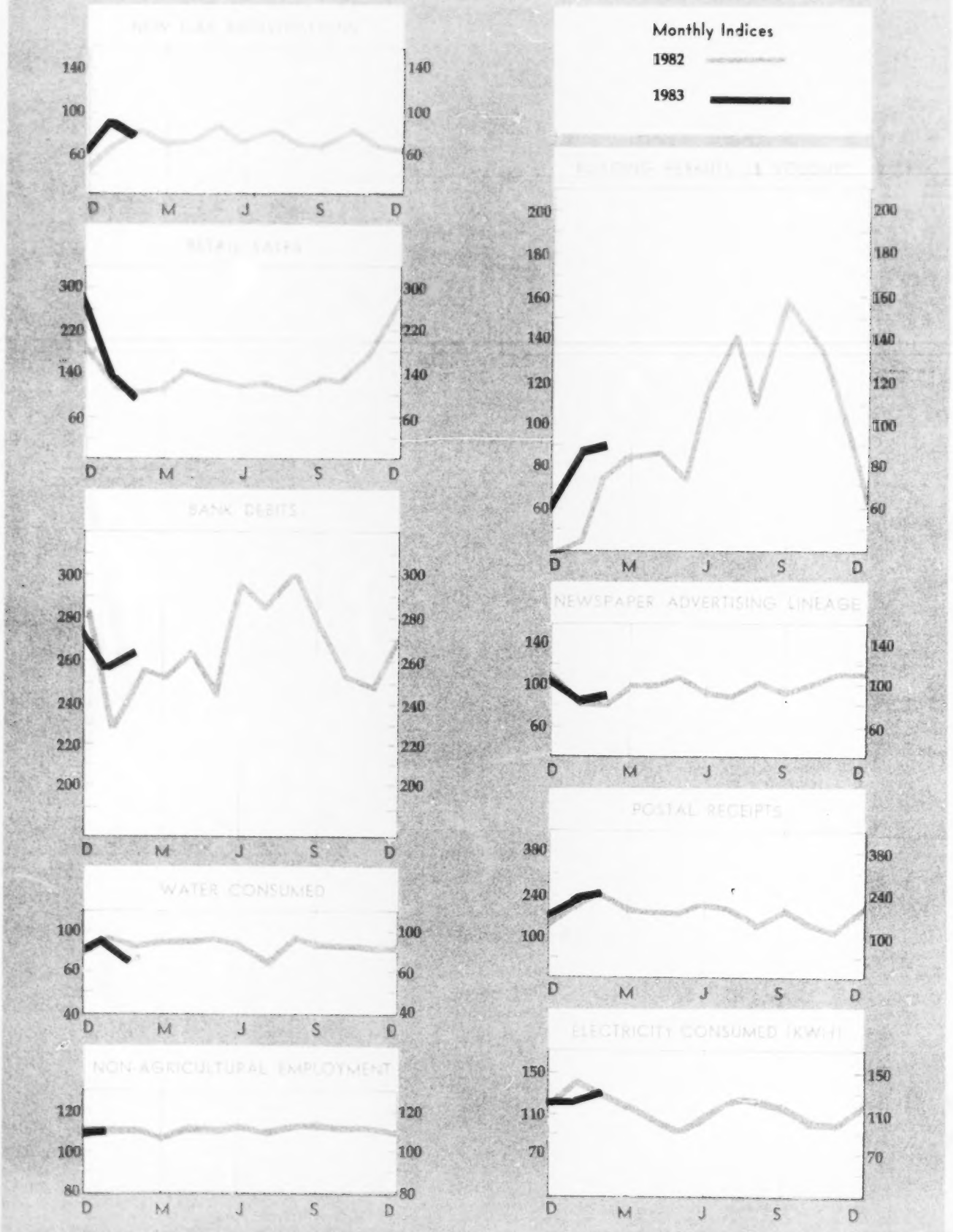
TABLE III — Percentage Change January - February from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan-Dec '82 RETAIL SALES
The State		6.6	44.5	-8.2	4.0	8.6	N.A.	-6.9	12.9	2.4
Alexandria	6.3	-13.9	-43.1	-9.9	N.A.	16.6	N.A.	9.4	14.0	7.6
Bristol	8.2	29.2	N.A.	-12.9	3.7	25.6	N.A.	-7.6	9.2	3.8
Cape Charles - Exmore	3.0	4.0	681.8	-5.2	N.A.	19.2	N.A.	N.A.	0.0	-3.3
Charlottesville	3.5	10.0	136.6	-9.8	N.A.	6.0	N.A.	-0.1	6.1	7.8
Danville	-3.6	N.A.	58.9	-0.1	6.1	7.8	N.A.	-9.2	-10.0	1.9
Franklin	-4.5	N.A.	541.5	0.3	0.9	-23.6	N.A.	-12.6	1.1	1.5
Fredericksburg	9.4	39.3	279.9	N.A.	3.3	1.7	N.A.	-36.9	19.4	4.7
Harrisonburg	4.5	34.5	169.9	N.A.	4.5	8.6	N.A.	-10.1	-2.0	7.2
Lynchburg	8.8	50.5	-9.7	-6.7	N.A.	12.1	N.A.	-7.3	4.4	-1.2
Newport News - Hampton	5.5	23.7	81.8	-7.9	-4.8	2.4	N.A.	-9.1	13.2	7.4
Norfolk - Va. Beach - Portsmouth	8.4	33.6	59.3	-7.5	7.3	-2.0	N.A.	-4.0	13.2	6.6
Petersburg	16.1	63.1	-45.4	N.A.	3.5	25.5	N.A.	-7.9	9.6	4.3
Richmond	2.8	1.5	10.5	-9.0	-3.0	12.5	N.A.	-12.7	11.1	4.7
Roanoke	14.7	12.1	51.0	-2.6	4.7	-9.1	N.A.	1.9	36.8	5.1
Staunton	10.1	41.7	172.6	N.A.	6.9	6.6	N.A.	N.A.	1.7	4.2
Williamsburg	-6.9	-40.4	33.2	-10.0	N.A.	16.0	N.A.	-18.7	1.7	0.6
Winchester	7.2	25.3	164.0	-7.6	41.7	7.7	N.A.	2.3	-4.0	3.3

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.


Monthly Indices
1982
1983
NEW CAR REGISTRATIONS
RETAIL SALES
BANK DEBITS
WATER CONSUMED
NON-AGRICULTURAL EMPLOYMENT
BUILDING PERMITS (A $ VALUE)
NEWSPAPER ADVERTISING LINEAGE
POSTAL RECEIPTS
ELECTRICITY CONSUMED (KWH)
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The Underground Economy

Until 1977 little was known or recognized about the phenomena known as the subterranean, the cash, or the gray economy. It surfaced that year, because a Professor Peter M. Gutmann of Bernard M. Baruch College, City University of New York, wrote an article about it in the November/December issue of the *Financial Analysts Journal*.

The title of his article was "The Subterranean Economy," but he pointed out that it had many names. Among them were all kinds of economies: gray, irregular, hidden, unrecorded, unofficial, concealed, parallel, informal, unobserved, submerged, shadow, clandestine, moonlight, twilight, second counter, off the books and back door. From all of this one can see that it involves tax evasion transactions on which little or no federal, state, or local taxes are paid and which involves crime, drugs, and the entire underworld but also the nice-elderly lady down the street from you who pays the yard man in cash and forgets to make social-security payments for the cleaning girl who comes once a week to do housework. Respectable and not-so-respectable citizens are involved.

What triggered Professor Gutmann and others to do research into this phenomena was the inordinate use of cash that was showing up suddenly in the 1970s. More and more people were using hard currency rather than leaving a paper trail through the banking system that could bring them to terms with the tax collector. The professor's first estimate of the underground economy was $176 billion for 1976, which was just over 10 percent of gross national product (GNP). The latest estimate, the one for 1981, discloses the growth of this economy. It is now up to $420 billion which is about 14 percent of GNP, especially when some checking account transactions and barter are included. In France the estimate is 25 percent. Professors C. P. Simon of Michigan State University and Ann D. Witte of North Carolina University think Gutmann too low for the U.S. With the recession deepening in 1982 and the need for tax avoidance even greater than normal, the current total in the U.S. for the underground economy is closer to $500 billion than ever before.

At first the Internal Revenue Service was agast in what Professor Gutmann had turned up. Their reaction was that his early estimates were "unduly high, implying criticism of the Bureau's collection efficiency," which he hardly cared about at all. The IRS proceeded to its own study and investigation. When their report surfaced in 1979, it showed less than the professor's did. This was an auditing procedure on the part of the IRS which used a small sample of tax returns. The interesting thing is that they did nothing about taxpayers who failed to file tax returns, but when this was done the IRS estimate came to four times that of the small-sample audit and close to the professor's.

What kind of tax losses were involved? For 1976 the early tax loss was set at about $22 billion and later revised to nearly $42 billion. For 1981 the loss stands at $104 billion and maybe more. The underground economy accounts for a 30 percent loss in federal personal income taxes alone! If Uncle Sam is to balance his budget, he could come very close by simply collecting what it owed.

The IRS detailed a number of these losses before a Congressional hearing in 1981: billions in interest income, dividends, and tips, with the largest in nonfarm income of $26 billion. Much of this concern for losses found its way into the Tax Equity and Fiscal Responsibility Act of 1982. The current uproar about dividend and interest withholding comes directly from the Hearings about the underground economy. Much of the 1982 Tax Act is probably needed despite the protests, but some is ill conceived, such as the requirement that an employer deduct 8 percent of each waitress's check for tips and so report. Where tips are low or nonexistant many waiters and waitresses have ended up earning nothing for a day's work. Other spinoffs into the 1982 Tax Act were informational reporting on payments to independent contractors, state and local income tax refunds and penalties for failing to file informational returns.

A second and perhaps very important aspect of the hearings about the underground economy is healthy skepticism about the U.S. statistical system. GNP alone is probably understated by some 15 percent. It may be even more, as Professor Gutmann estimates that about one fourth of the labor force operates in the underground economy. This means too that living standards are higher, savings greater, productivity per person is larger, unemployment lower, and population itself excessively higher (look at illegal emigrants alone as an example). Employment is 4 to 5 million larger. All sectors of the economy that have high cash usages will be understated: services (including retailing and doctors, lawyers, cabbies, farmers, consultants, dock loading, teamsters, etc.; skimming on sales taxes) and construction especially where sweetheart contracts and kickbacks are well known, plus the usual illegalities in drugs, gambling, prostitution and outright stealing from without and within businesses and government.

Stemming also from bad statistics are determinations of grants in aids, poverty levels, food stamps, aid to families with dependent children, and all welfare programs. No wonder the statistics are biased. As Professor Gutmann points out, those who are interviewed in the surveys have "no real incentive not to do so. What, for example, are they to make of the two thirds of the interviews that are conducted by telephone? Do they know who is at the other end of the line?" As Peter Reuter points out in his article in *The Underground Economy in the U.S. and Abroad*, "Economists are unique among social scientists in that they are trained only to analyze, not to collect data." How true and what a mistake.

What is the answer to this flourishing underground economy? Obviously step number one is law enforcement at all levels, particularly in tax collecting. The Reagan Administration in this regard, however, is its own worst enemy. It seeks less government and less regulation with less personnel. It therefore invites the growth of the underground economy. It has even cut out viable statistical programs so that decisions cannot be made by government or business not because of biased data, but because no date exists. The quantity and quality of the federal statistical system has suffered.

A second major need is a study — not a survey — of the underground economy. This should be mounted on the basis of a census, a complete count, not just a telephone survey in a few spotty areas.

A third movement is the tax system. The federal system is so complicated that even the IRS does not make out consistent returns. How can the educated or the uneducated or even H. and R. Block file an accurate return even if they honestly want to do so? A simple flat rate tax would clarify much of the underground economy. After an exclusion for poverty, a rate of 13 to 14 percent would yield enough revenues to balance the budget and provide incentives for savings and investments. The time has come for some changes.

LET

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 276 **April, 1983**

Business in Virginia March, 1983, Data

Business in Virginia picked up in March. It now looks as if we are back on the road to recovery after a detour in February. Bank debits to demand deposits, which are also known as checking account transactions, give a good idea of the total dollar volume of business,. This indicator was up 10.1 percent when March of this year is compared with that of a year ago. In February the increase was a terrible 1.5 percent. Even so this indicator is still below a level which could be considered robust, say 20 percent or so. All along though the recovery has been predicted in this column to be slow. It has also been thought there would be some fall backs and then some pickups. It would not be smooth. Thus far, one could say the forecasts are right on target.

Coming on much stronger too in March were building permits. On a year-to-year basis they rose 36.6 percent in March, but in February had been up only 16.2 percent. Since the permits are a leading economic indicator, they are saying that down the road some six months or so the construction business will be healthy. This applies to both residential and commercial properties. Strength lies in this indicator, since it has been rising nicely ever since October of last year with the exception of February of this year. For the first quarter of this year permits are up a very good 40.5 percent when compared with the same period of a year ago. As money gets spent in construction, bank debits will pick up also later on

On another cheerful note were new car registrations. They had picked up beginning in November and December of last year. In fact they were the only two months in which they really got in the black. January too was a good month with a rise of 19.1 percent over January of 1983. But February fell by the wayside. There was a decrease. In March, we see a return to good times. The black figures returned and the increase was 16.6 percent over March of last year. For the quarter the rise was 12.0 percent. A year ago the quarterly figure was a negative 25.0 percent. This shows the dramatic turnaround. Leaders on the roads to recovery for all the business cycles since World War II have been both new car sales and housing starts. We seem to be led by them this time too.

Retail sales returned to a healthy figure. They rose 15.9 percent in March over a year earlier. In February the increase had only been 5.3 percent. January though was so far this year the robust one, as it rose 21.1 percent. For the first quarter of this year the upward movement is 13.9 percent. A year ago it was only 1.7 percent.

Newspaper advertising linage was up 5.0 percent for the month of March and 6.7 percent for the quarter. Most of last year it had been slow and had actually declined 1.8 percent in comparison with 1981. Perhaps the truth was it did not pay to advertise then, but it is paying better now.

Electricity consumed was slow with only an increase of 0.5 percent and an actual negative 5.5 percent for the quarter. This is good from a standpoint of conserving energy but not so good for turning the wheels of business and industry.

Nonagricultural employment showed no growth at all either for the month or the quarter. Water consumpton was down 6.2 percent (no wonder all the rains) and postal receipts were up 7.1 percent for March and 4.2 percent for the quarter.

(Continued on the back page)

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change March, 1982 from March, 1983

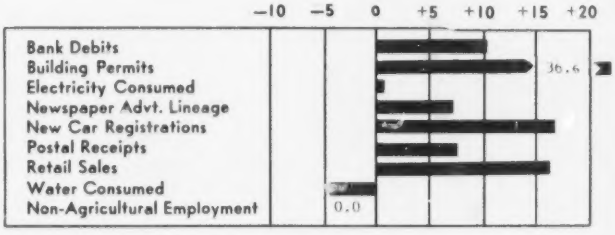
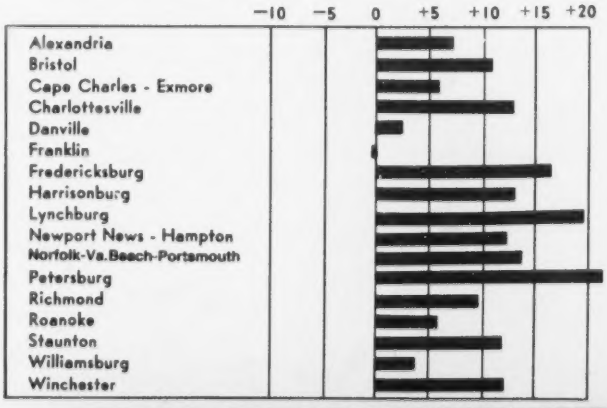


Chart II

City Indices

Percentage Change March, 1982 from March, 1983



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SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I March, 1983

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		280.5	116.1	92.7	106.4	87.1	109.8	84.4	134.3	198.1
Alexandria	160.9	467.0	260.7	124.1	N.A.	94.6	122.5	83.7	131.8	N.A.
Bristol	125.1	248.4	90.5	105.3	98.4	64.2	N.A.	57.9	103.5	241.5
Cape Charles - Exmore	123.8	153.2	214.6	105.7	N.A.	52.7	N.A.	N.A.	128.9	168.1
Charlottesville	147.4	204.1	490.8	108.1	N.A.	89.0	N.A.	91.8	170.3	175.4
Danville	86.1	N.A.	812.7	101.1	129.5	82.4	N.A.	75.1	44.0	168.3
Franklin	112.3	N.A.	15.1	100.1	117.0	78.7	N.A.	94.3	113.2	168.8
Fredericksburg	142.7	206.7	136.5	N.A.	97.8	126.1	N.A.	68.8	162.1	156.2
Harrisonburg	144.4	191.3	235.6	N.A.	142.2	76.7	N.A.	111.9	143.8	201.9
Lynchburg	197.3	530.4	557.6	115.8	N.A.	82.6	N.A.	108.6	133.8	339.3
Newport News - Hampton	110.0	199.1	80.1	106.5	86.1	79.2	103.4	100.4	105.0	N.A.
Norfolk - Va. Beach - Portsmouth	136.5	236.0	27.1	116.0	107.9	86.3	115.6	40.9	168.6	N.A.
Petersburg	121.5	242.9	56.4	N.A.	76.6	53.3	N.A.	98.8	117.8	147.0
Richmond	127.0	280.6	N.A.	116.1	96.2	87.9	110.9	88.5	106.8	169.7
Roanoke	126.5	203.4	53.5	95.7	127.7	66.7	103.3	98.2	131.0	180.4
Staunton	122.6	140.2	55.3	N.A.	124.1	67.3	N.A.	N.A.	113.0	187.8
Williamsburg	125.0	154.9	119.4	132.8	N.A.	96.8	N.A.	66.2	119.3	191.7
Winchester	140.6	288.6	67.1	121.8	152.5	106.5	N.A.	120.7	105.7	158.3

TABLE II March, 1983

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Feb. RETAIL SALES ‡
The State		10.1	36.6	0.8	6.7	16.6	0.0	-4.9	15.9	8.4
Alexandria	6.6	-20.0	127.7	-0.1	N.A.	5.2	3.2	3.2	20.4	13.7
Bristol	10.1	20.5	62.7	-2.6	-1.8	45.8	N.A.	-0.9	6.7	-10.9
Cape Charles - Exmore	5.7	31.4	38.1	-4.4	N.A.	0.0	N.A.	N.A.	2.3	18.5
Charlottesville	12.5	14.2	3.8	1.1	N.A.	27.2	N.A.	-2.2	15.7	5.9
Danville	2.3	N.A.	0.0	5.9	26.5	44.6	N.A.	-11.2	-16.6	9.3
Franklin	-0.1	N.A.	-76.2	-5.3	0.6	0.0	N.A.	-8.2	4.1	30.1
Fredericksburg	16.2	40.7	18.7	N.A.	10.5	27.6	N.A.	-38.3	24.3	-3.0
Harrisonburg	13.0	38.6	792.4	N.A.	9.1	11.3	N.A.	3.8	9.3	43.4
Lynchburg	19.6	42.8	616.7	-0.3	N.A.	27.0	N.A.	-1.9	23.2	1.1
Newport News - Hampton	12.4	30.5	-23.4	1.2	-8.1	40.4	2.9	-2.3	15.6	5.5
Norfolk - Va. Beach - Portsmouth	13.0	11.1	27.9	0.6	9.2	21.9	1.6	-6.7	28.8	8.1
Petersburg	21.8	50.2	218.8	N.A.	8.9	44.4	N.A.	-1.6	17.0	17.7
Richmond	9.4	10.3	49.1	0.8	-0.3	23.6	-0.5	-6.9	19.3	10.2
Roanoke	5.4	-7.2	146.5	4.9	14.5	17.7	0.4	4.1	4.7	10.8
Staunton	11.8	46.0	154.9	N.A.	10.7	-4.2	N.A.	N.A.	6.0	3.8
Williamsburg	3.5	14.4	172.7	-0.6	N.A.	20.2	N.A.	-21.5	13.6	22.2
Winchester	11.7	16.6	-11.2	5.9	23.1	42.4	N.A.	6.2	-0.1	24.4

TABLE III

Percentage Change January - March from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan.-Feb. RETAIL SALES
The State		7.8	40.5	-5.5	5.0	12.0	0.0	-6.2	13.9	6.0
Alexandria	6.1	-16.2	-4.3	-7.0	N.A.	11.4	3.5	7.2	16.5	9.5
Bristol	9.0	25.9	-41.9	-9.9	1.8	34.3	N.A.	-5.5	8.4	-8.0
Cape Charles - Exmore	3.4	12.2	251.2	-4.9	N.A.	10.5	N.A.	N.A.	0.8	5.8
Charlottesville	6.7	11.5	27.4	-6.6	N.A.	14.6	N.A.	-0.9	9.4	6.6
Danville	-1.3	N.A.	21.1	1.8	13.8	22.1	N.A.	-9.9	-12.4	1.1
Franklin	-2.7	N.A.	25.1	-1.4	0.8	-14.1	N.A.	-11.1	2.2	0.6
Fredericksburg	12.0	39.9	126.5	N.A.	5.9	12.1	N.A.	-37.4	21.1	6.7
Harrisonburg	7.5	35.9	398.1	N.A.	6.4	9.7	N.A.	-5.6	2.0	35.3
Lynchburg	13.2	47.7	202.8	-4.7	N.A.	18.3	N.A.	-5.4	12.2	-5.5
Newport News - Hampton	7.8	26.0	16.8	-5.1	-6.0	15.9	3.3	-6.9	14.3	3.0
Norfolk - Va. Beach - Portsmouth	9.4	25.2	44.5	-5.1	8.0	7.2	1.5	-4.9	17.5	5.7
Petersburg	18.3	58.5	11.8	N.A.	5.4	32.1	N.A.	-5.9	12.6	6.2
Richmond	5.0	4.6	17.3	-6.1	-2.1	17.1	-0.4	-10.8	14.3	10.0
Roanoke	10.7	9.0	72.9	-0.2	8.4	1.3	0.2	2.6	25.1	2.0
Staunton	10.5	43.1	167.4	N.A.	8.3	2.1	N.A.	N.A.	3.1	-0.5
Williamsburg	-3.2	-32.1	65.9	-7.2	N.A.	17.7	N.A.	-19.7	6.3	6.1
Winchester	8.8	22.1	26.0	-3.3	34.0	21.3	N.A.	3.7	-2.6	10.3

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.

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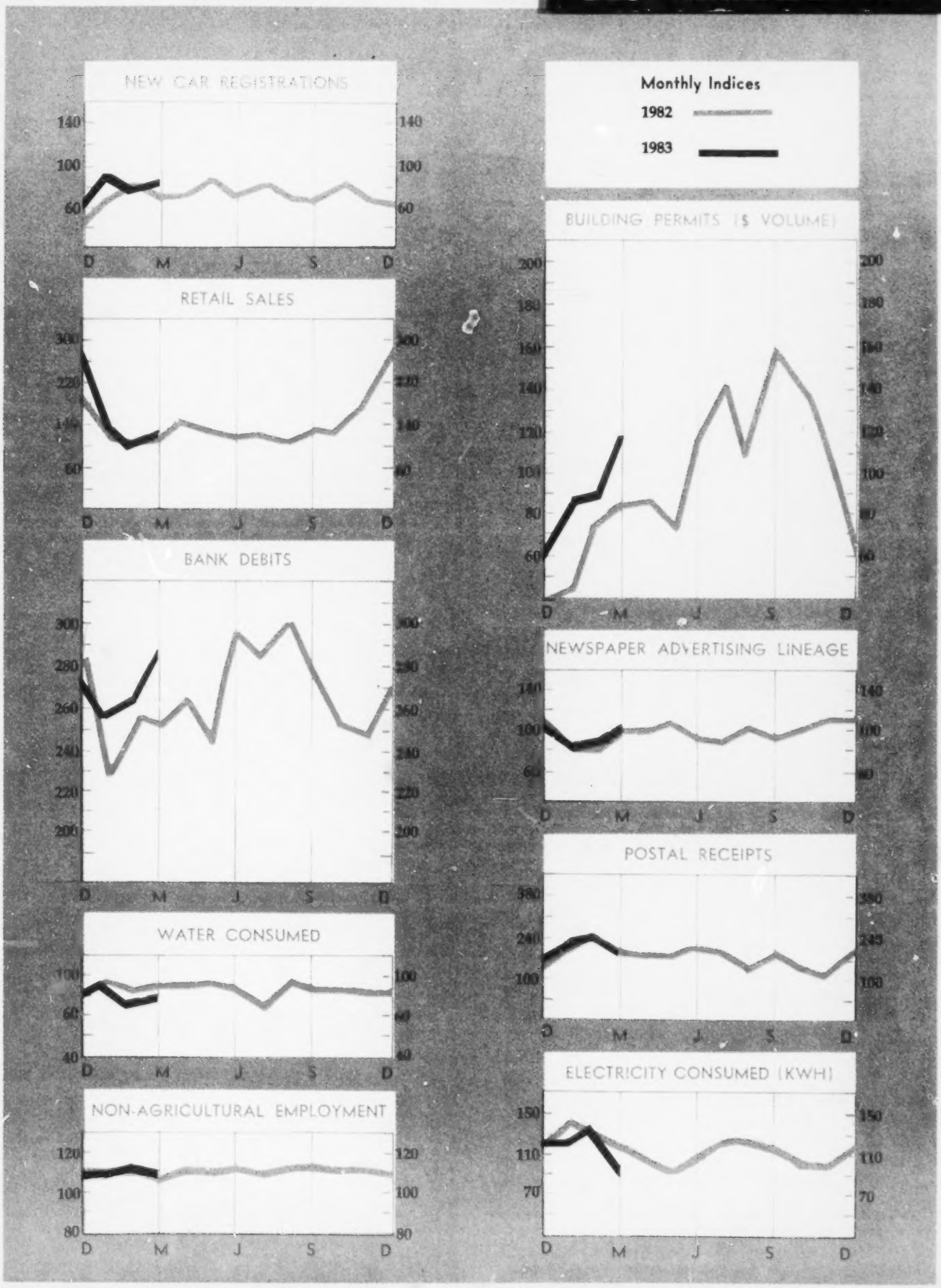

Williamsburg's Summit

The ninth economic conference of the heads of state of the Western World and Japan will be held in Williamsburg, Virginia, May 28-30, 1983. This is undoubtedly a trite statement for many persons in eastern Virginia and especially Williamsburg citizens who are bracing for the event. Others, however, may not be so knowledgeable about the details or the substantive part of the Summit.

There is to be an agenda for the discussions but no final communique. President Reagan feels it is a waste of time trying to draft some words that would be meaningful and that all could endorse. Anyone who has tried to have a committee write a letter or an essay knows the problem,

Last year at the Versailles, France, Summit the discussions centered around the global economic situation, international trade, East West economic relations, and energy. All of these topics survive currently except the latter.

This year the United States has set the agenda and as Leonard Silk of the New York Times News Service reports it reflects the monetarist and laissez-faire philosophy of the three U. S. officials who have been doing the planning.These three are Beryl Sprinkel, under secretary of the Treasury, and Lawrence Kudlow, chief economist of the Office of Management and Budget.

The succession of days is most interesting. Day 1: A review of economic conditions in the industrial world. This is unlikely to lead to antirecession actions, as the recovery phase of the business cycle appears to be underway here. The U. S. often serves as the engine that drives other economies of the Western World. There may, however, be an establishment of a new mechanism for "joint surveillance" of national economies. Perhaps consequence steps for action may follow and perhaps not.

Day 2: A discussion of international trade. Most likely national leaders will praise free trade, denounce protectionism, but will leave themselves free to adopt defensive measures deemed politically or economically essential under conditions of high personal and industrial capacity unemployment.

Day 3: A debate about East-West trade. President Reagan is eager to press for measures to restrict Soviet access to Western technology and equipment, to hamper the Soviet economy and reduce its military capabilities. The European heads of state, however, are still hurt about President Reagan's effort after the Versailles Summit to upset their contracts to help build the Soviet natural-gas pipeline.

The obvious reason that these topics look so much like those of a year ago is that they are basic and are persisting. If there is a Summit next year, will such an agenda be duplicated again? Most likely, as these problems will not be solved in this session.

Leonard Silk, however, goes on to quote Professor Robert Mundell of Columbia University, a leading international economist. He contends that there are five key problems of the industrial countries that should be on the agenda: (1) the international slump with its high unemployment, (2) the instability of internationally traded commodities, (3) stagnation in six of the seven countries with only Japan growing at a reasonably good rate, (4) high real interest rates, and (5) a world debt crisis.

Mundell maintains that all five problems are interrelated and have major political and national-security ramifications for the Western alliance and the rest of the world. In all this he sees a disordered world monetary system. He claims that the floating exchange rates and monetarism have been failures. He argues for a return to the Bretton Woods agreement after World War II in which fixed exchange rates were established. Unfortunately, the fixed rates proved to be a disaster and provoked overvalued and undervalued currencies when the various states would rush into the foreign exchange markets to buy or sell their own or other currencies to protect themselves. It soon became manifest that the nation with the biggest treasury would dominate the exchanges.

Accordingly what happened was a move to the floating rates which in essence let the free markets of the world determine what the price of the exchange rates should be. It was a move away from economic dictatorships of the financially powerful.

In addition Mundell argues for a return to a gold standard. It would be interesting to hear this debated at the Summit. President Reagan would like to see a return to the gold standard. But there is a re-entry problem. What is to be the price of gold? Either it can be allowed to float with the market or it can be fixed at a specific value. If it floats and rises and falls, then no advantage accrues, as there would be instability in the system. If the price is fixed, then the general price level could not soar or fall. The difficulty is fixing the price of gold. Should it be pegged at $35 per ounce or $300 or how about $875 where it was January, 1980?

If the price is too high then a flood of gold would bring on inflation. If too low, then a run on U. S. stocks would occur with consequent deflation, protectionism and all sorts of disruptions in international trade. Price fixing is perilous. Furthermore, do we really want a gold standard? It would put us in the hands of Russia and South Africa which are the major gold producers. Gold production is not stable nor is a monetary system tied to it.

One would hope that Professor Mundell's thinking will not prevail in Williamsburg. His hint is true that because of the uncertainty in the international money markets and because of the terrible international debts of Mexico, Argentina, Brazil, Poland, etc., something needs to be done. But it is not fixed rates a la Bretton Woods nor a fix on gold. It is the international bankers that need to be restrained, if they cannot do it for themselves.

Of immediate interest is the economic impact of the Summit on Williamsburg itself. It is a small town (a little over five square miles in area) and a population of 9870 by the last census. The news media report various numbers of attendees. They range from 4500 to 6000 reporters and from 1000 to 1500 in the entourages of each of the heads of state. The range of the total is between 11,500 to 16,500. The total number of hotel rooms in town is about 6500. Yet, a recent press report shows vacant rooms among the smaller accommodations.

Summit planners have picked $8 million as the total cost of the conference. They picked this, because this is what it cost Canada two years ago. Oh, well. We shall see. LET

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